

**LIFECARE AT LOFLAND PARK  
AUDIT REPORT  
MEDICAID COST REPORT AND  
NURSING WAGE SURVEY**

**JUNE 30, 2006**

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## Independent Auditors' Report

State of Delaware  
Office of Auditor of Accounts  
Dover, Delaware

We have audited the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and Nursing Wage Survey (the Survey) of Lifecare at Lofland Park (the Facility) for the year ended June 30, 2006. The Cost Report and Survey are the responsibility of the Facility's management. Our responsibility is to express an opinion on the Cost Report and Survey based on our audit, which are not affixed hereto.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Report and Survey are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Cost Report and Survey. An audit also includes assessing the accounting principles and Medicaid principles of cost reimbursement used and significant estimates made by management, as well as evaluation of the overall presentation of the Cost Report and Survey. We believe that our audit provides a reasonable basis for our opinion.

Certain adjustments were required to be made to the Cost Report and Survey based on the results of our audit. The detail of the adjustments and their effects can be found on the accompanying Schedule of Adjustments on pages 3 and 4.

In our opinion, except for the accompanying Schedule of Adjustments, the Cost Report and Survey of Lifecare at Lofland Park referred to above present fairly, in all material respects, the reimbursement costs of the Facility for the year ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America and Medicaid principles of cost reimbursement.

## Independent Auditors' Report (Cont'd.)

In accordance with *Government Auditing Standards*, we also issued our report dated November 17, 2008, on our consideration of the Facility's internal control over reporting for the Cost Report and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*McBride, Shopa & Co*

Wilmington, Delaware  
November 17, 2008

**LIFECARE AT LOFLAND PARK**  
**SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT**  
**COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX**  
**AND ADJUSTMENTS TO THE NURSING WAGE SURVEY**  
**YEAR ENDED JUNE 30, 2006**

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amount</u>	<u>No.</u>	<u>Audit Adjustments Amount</u>	<u>Adjusted Amount</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
<b><u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u></b>								
<i>Primary Patient Care Costs (lines 1-5)</i>								
Nursing Staff Benefits	2	2	\$ 673,424	1	\$ (2,720)	\$ 670,704		S-1
Other	2	4	399,822	2	(397,160)	2,662		O-1
Unadjusted lines	2	1,3	<u>3,891,401</u>		<u>-</u>	<u>3,891,401</u>		
<b>Subtotal - Primary Service Costs</b>	<b>2</b>	<b>5</b>	<b>4,964,647</b>		<b>(399,880)</b>	<b>4,564,767</b>	<b>\$ 116.57</b>	
<i>Secondary Patient Care Costs (lines 6-14)</i>								
Employee Benefits	2	8	13,581	1	126	13,707		S-1
Medical Supplies	2	10	100,307	2 3	145,611 2,678	248,596		O-1 O-2
Unadjusted lines	2	6,7, 9,11,12	<u>513,604</u>		<u>-</u>	<u>513,604</u>		
<b>Subtotal - Secondary Patient Care Costs</b>	<b>2</b>	<b>14</b>	<b>627,492</b>		<b>148,415</b>	<b>775,907</b>	<b>19.81</b>	
<i>Support Service Costs (lines 15-22)</i>								
Operation and Maintenance of Facility	2	16	754,835	1 2	4,620 350	759,805		RP-1 O-1
Employee Benefits	2	20	121,644	3	1,154	122,798		S-1
Unadjusted lines	2	15,17-19,21	<u>1,109,185</u>		<u>-</u>	<u>1,109,185</u>		
<b>Subtotal - Support Service Costs</b>	<b>2</b>	<b>22</b>	<b>1,985,664</b>		<b>6,124</b>	<b>1,991,788</b>	<b>50.87</b>	
<i>Administrative &amp; Routine Costs (lines 23-32)</i>								
Employee Benefits	2	26	109,343	1	1,438	110,781		S-1
Other	2	31	490,871	2 3	56,101 13,983	560,955		RP-1 O-1
Unadjusted lines	2	23-25,27-30	<u>2,527,798</u>		<u>-</u>	<u>2,527,798</u>		
<b>Subtotal - Administrative &amp; Routine Costs</b>	<b>2</b>	<b>32</b>	<b>3,128,012</b>		<b>71,522</b>	<b>3,199,534</b>	<b>81.71</b>	
<i>Capital Costs (lines 33-39)</i>								
Interest - Mortgage	2	34	129,923	1 2	(129,923) 162,314	162,314		RP-1 RP-1
Depreciation	2	36	367,072	3	3,726	370,798		RP-1
Other	2	38	(14,124)	4 5	111,728 (2,678)	94,926		O-1 O-2
Unadjusted lines	2	33,35,37	<u>512,620</u>		<u>-</u>	<u>512,620</u>		
<b>Subtotal - Capital Costs</b>	<b>2</b>	<b>40</b>	<b>995,491</b>		<b>145,167</b>	<b>1,140,658</b>	<b>29.13</b>	

**LIFECARE AT LOFLAND PARK**  
**SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT**  
**COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX**  
**AND ADJUSTMENTS TO THE NURSING WAGE SURVEY**  
**YEAR ENDED JUNE 30, 2006**

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amount</u>	<u>Audit Adjustments No.</u>	<u>Amount</u>	<u>Adjusted Amount</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
<b>SUBTOTAL</b>	<b>2</b>	<b>40</b>	<b>11,701,306</b>		<b>(28,652)</b>	<b>11,672,654</b>	<b>298.09</b>	
<i>Ancillary Costs (lines 41-49)</i>								
Laboratory	3	41	-	1	92,042	92,042		O-1
Other	3	48	4,536	2	33,446	37,982		O-1
Unadjusted lines	3	42-47	843,099		-	843,099		
<b>Subtotal - Ancillary Costs</b>	<b>3</b>	<b>49</b>	<b>847,635</b>		<b>125,488</b>	<b>973,123</b>	<b>24.85</b>	
<i>Other Costs - unadjusted (lines 50-52)</i>	<b>3</b>	<b>52</b>	<u>(3,510)</u>		<u>-</u>	<u>(3,510)</u>	<u>(0.09)</u>	
<b>TOTAL COSTS</b>	<b>3</b>	<b>53</b>	<b><u>\$ 12,545,431</u></b>		<b><u>\$ 96,836</u></b>	<b><u>\$ 12,642,267</u></b>	<b><u>\$ 322.85</u></b>	

**PART II - COST REPORT PATIENT DAYS**

Total bed days available	6	4	40,150	-	40,150		
90% minimum census threshold	6	-	36,135	-	36,135		
Total census days	6	5E	39,258	(100)	<b>39,158</b>		C-1

**PART III - NURSING WAGE SURVEY**

**II - Items affecting Staff Nurse Information**

Registered Nurses - Number of Staff	11	B(1)	21	1.00	22	NWS-1
Registered Nurses - Total Payroll	11	B(1)	47,987.09	571.37	48,558.46	NWS-1
Registered Nurses - Total Hours	11	B(1)	1,491.80	28.00	1,519.80	NWS-1
LPN's - Number of Staff	11	B(2)	25	1.00	26	NWS-2
LPN's - Total Payroll	11	B(2)	41,599.37	1,555.52	43,154.89	NWS-2
LPN's - Total Hours	11	B(2)	1,622.00	154.00	1,776.00	NWS-2
CNA's - Number of Staff	11	B(3)	66	(3.00)	63	NWS-3
CNA's - Total Payroll	11	B(3)	65,714.70	(3,059.58)	62,655.12	NWS-3
CNA's - Total Hours	11	B(3)	4,547.99	(24.03)	4,523.96	NWS-3

**PART IV - DETAILED EXPLANATION OF ADJUSTMENTS**

- S-1 To properly allocate employee benefits based on salary cost center amounts.
- RP-1 To reverse provider adjustment #25 and to record expenses relating to Dual Development.
- O-1 To reclassify costs from Line 4 that are not associated with primary patient costs. Includes medical supplies, repairs, administrative costs, equipment rentals and related costs, laboratory, radiology, ambulance and other ancillary costs.
- O-2 To reclassify Medical Supplies from Equipment Rental per invoice testing (KCI USA - 6/27/06).
- C-1 To adjust census days to actual per backup census data.
- NWS-1 To adjust Nursing Wage Survey to agree to backup supporting documentation.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of Delaware  
Office of Auditor of Accounts  
Department of Health & Social Services  
Division of Social Services Medicaid  
Dover, Delaware

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey) for Lifecare at Lofland Park (the Facility) for the year ended June 30, 2006, and have issued our report thereon dated November 17, 2008, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

### Internal Control Over Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Cost Report and Survey, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we do not provide an opinion on the Facility's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Facility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a removed likelihood that a misstatement of the Facility's Cost Report and Survey that is more than inconsequential will not be prevented or detected by the Facility's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Facility.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Cost Report and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Facility in a separate letter dated November 17, 2008.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware and the Board of Directors and management of Lifecare at Lofland Park, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, the State Treasurer's Office, and the Department of Finance. However, under 29 Del. C. Section 10002, this report is public record and its distribution is not limited.

*McBride, Shopa & Co*

Wilmington, Delaware  
November 17, 2008



**LIFECARE AT LOFLAND  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006**

**CURRENT YEAR CONDITIONS**

NONE